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UK AND MALTA AT IMPASSE OVER PLANNED BRITISH TROOP CUTBACK

Britain's plan to reduce its forces on Malta has embittered the Maltese, but London now has proposed new talks on the issue which offer some hope of ending the impasse between the two governments.

Malta's principal concern is the effect the British troop cutback would have on its economy. London agreed to limited concessions three weeks ago but its final offer failed to satisfy the Maltese. Malta thereupon re-

taliated by abruptly renouncing its defense agreement with the UK and subsequently rejected another British offer. It insisted that the British either reverse the decision to reduce their forces there--numbering about 4,300--or get out entirely.

To harass the British, the Maltese have withheld tax-free fuel and other supplies and refused services for UK units. They also introduced legislation to remove privileges and immunities granted British military personnel.

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Now, however, the Maltese Government has indicated an interest in Britain's latest offer to discuss the economic effects of the troop reduction. London also expressed its willingness to talk about rephrasing the withdrawals.

Maltese Prime Minister Borg Olivier has been under pressure from the left-leaning opposition leader, Dom Mintoff, and from labor unions--whose members would suffer the most from an economic pinch. Mintoff argues that Malta has always been undercompensated for the Western presence. He has made vague claims that he can get economic assistance from Communist and neutralist countries.

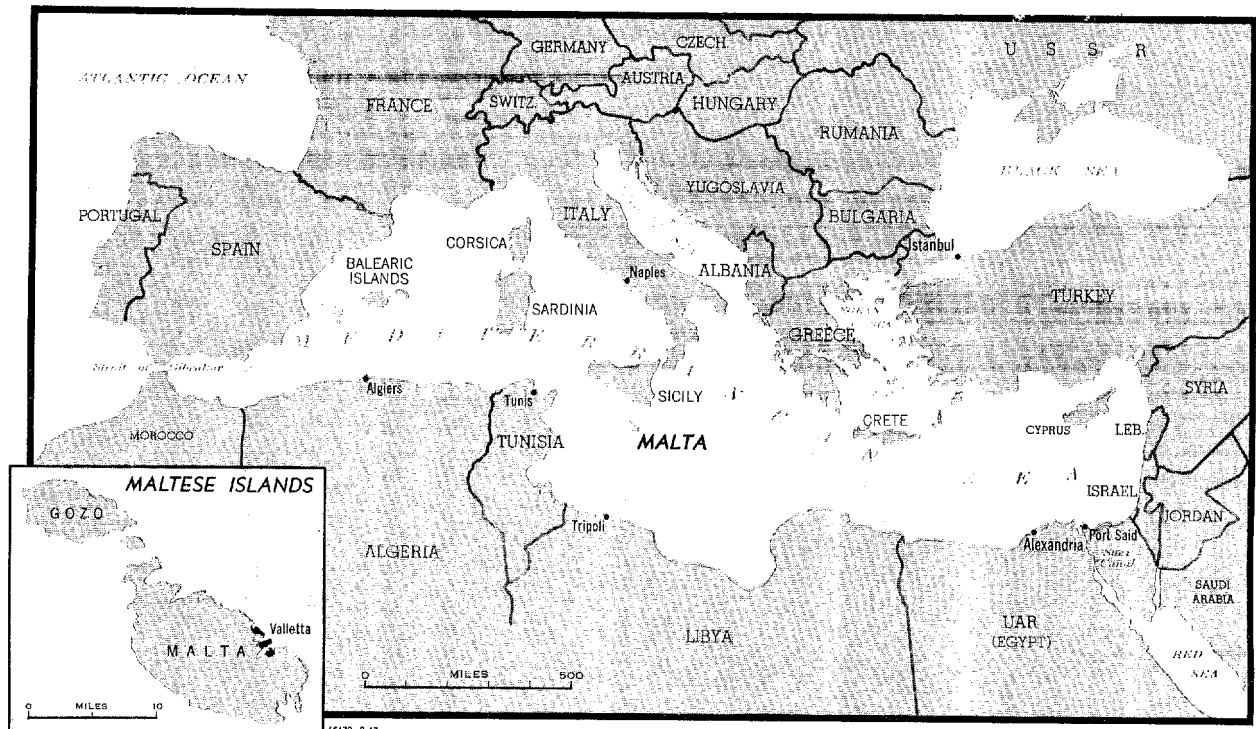
The US ambassador to Malta believes that further harass-

ment of British forces might lead to a break in relations and a chaotic internal situation. A breakdown of order or a rapid deterioration of the economy could lead to the downfall of Borg Olivier's pro-Western government and the return of Mintoff's Labor Party to power.

If the two sides do not resolve the dispute in further talks, an effort will probably be made to have NATO play a conciliatory role. It would be asked to expand its proposed study of the implications for Malta of the reorganization of the NATO Mediterranean Command there to include a review of the consequences of the British force reductions.

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PACE OF KENNEDY ROUND TRADE TALKS STEPPING UP

Participants in the Kennedy Round of trade and tariff negotiations are under the pressure of time to show results within the next two months. The authority granted under the US Trade Expansion Act of 1962 to cut tariffs by as much as 50 percent expires on 30 June, and negotiated concessions must be in shape for formal approval by then.

The principal negotiators --the US, UK, EEC, and Japan, plus the Scandinavians, Switzerland, and Canada--agreed in Geneva last week to press for agreement on the key issues by the beginning of April. To meet this deadline, negotiations within separate committees dealing with specific products such as chemicals, steel, grains, and cotton textiles will have to be sharply intensified. Ultimately, each delegation must be able to recommend to its respective government a "package" of concessions balanced among all these sectors.

With the crunch thus approaching, the "war of nerves" which has been part of the Geneva talks since their inception has also intensified, and the European press has been carrying gloomy reports about the final outcome. These have tended to concentrate on what are in fact likely to be major problems: pos-

sible EEC, and particularly French, efforts to revive debate on how to handle the mutual reduction of particular tariffs which are markedly higher in the US than in Europe; the US protectionist valuating system for certain chemicals; and various "nontariff barriers" to trade--the most recent complaint being the new US auto safety standards.

The EEC--still working out its internal policies and having to reconcile the interests of its six members--remains the main source of uncertainty. Although the community will doubtless be tough to the end, there have been several favorable developments. The EEC's Commission is negotiating more freely than before, and West Germany, with a recession on its hands, seems even more eager to bring about sizable tariff cuts. Also, the French have agreed to push for a community commitment to provide food to less developed countries as part of a global grain agreement. Such a commitment is of great importance to the US, but the Dutch and Germans, in particular, will for financial reasons have considerable difficulty accepting it.

Thus far, Britain's "probings" for EEC membership appear to have had no impact on the

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tariff talks. There has, however, been some questioning in the French press whether the EEC should make concessions now to the UK and EFTA countries, since their eventual membership in the EEC would make such concessions superfluous.

The problems the developing countries have getting benefits from the Kennedy Round were recently highlighted at a high-level GATT (General Agreement on Tariffs

and Trade) meeting in Argentina. Some of these countries stand to suffer reductions in the preferences they presently enjoy in developed-country markets as a result of the Geneva negotiations. Differences among the industrialized nations on how to "compensate" them for such losses may create another difficult Kennedy Round hurdle. 25X1

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MIDDLE EAST - AFRICA

Official royal African visits to the US dominate the scene this week, with the arrival of King Hassan of Morocco on 9 February to press for more defensive arms aid to counter the Soviet arms build-up in Algeria. Emperor Haile Selassie of Ethiopia, scheduled to arrive on 13 February, also wants extensive arms aid and may go to Moscow for them if he does not get the huge package he wants from the US. (An article on page 15 discusses the numerous problems that underlie his search for arms.)

On the continent, the picture in the Congo brightened a bit when Mobutu indicated willingness to discuss the formation of an international "association" to mine and market the copper. In Nigeria, however, the prospects for another meeting of the antagonists are dim, although a meeting of the Supreme Military Council has been called for later this month. Algeria held communal elections on 5 February and the regime's success in holding them at all may bode well for future elections on a state and national level.

The closing days of the Indian general election campaign have been marked by violence and much heckling of the Congress Party campaigners--even Mrs. Gandhi was struck by a thrown rock.

The Greek Crown Council on Cyprus met this week with Cypriot President Makarios in attendance, and Prime Minister Paraskevopoulos announced his intention to continue the dialogue on this thorny problem with Turkey on the ministerial level.

Israel says it continues to find terrorist bombs near its borders. Another Israeli-Syrian meeting on the dispute over farming in the demilitarized zone has been postponed for a week. Saudi Arabia is still sounding out Yemeni anti-Egyptian sentiment to see what if anything can be done about the Egyptian presence in Yemen.

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INDIAN ELECTION CAMPAIGN INTENSIFIES

Electoral prospects for India's long-ruling Congress Party have not materially changed as the campaign for the 15-21 February general election enters its final week. The campaign itself, however, has grown more heated and incidents of violence reportedly have increased.

Congress seems certain to retain a viable, but reduced, working majority in the national parliament. The biggest gains at Congress' expense are likely to be scored by the right-wing opposition parties--the Hindu nationalist Jan Sangh and the conservative Swatantra. The Indian Communists, split since 1964 into two rival parties, are not expected to improve much, if at all, on the 29 seats won by the united party in 1962. On the state level, opposition parties will almost certainly capture one of the 17 state governments--Kerala--and have varying prospects of depriving Congress of its majority in the legislatures of at least five other states.

The major opposition parties, eager to destroy the image of Congress invincibility, are strongly on the offensive. They have kept alive the prevailing mood of discontent and dissent by assailing the incumbent Congress governments from virtually every angle. Congress Party

leaders, including Prime Minister Gandhi, have been heckled and even physically assaulted while campaigning in opposition strongholds. Rocks, tomatoes, and shoes have been thrown at Congress candidates, especially by volatile conservative elements in the cities.

The extent of pre-electoral violence has given Indian authorities cause for concern, with the chief election commissioner warning that such violence threatens to alter the climate of freedom for the elections. Mrs. Gandhi, herself the victim of a well-aimed rock, has appealed to the country to maintain its good record for orderly electioneering.

Although several national issues have emerged--inflation, food shortage, currency devaluation, and the demand for a nationwide ban on cow slaughter--none of these is expected to have a decisive effect on the election results. Indian voters, especially in the rural areas where most of them live, still tend to vote on the basis of personality, caste, and strictly local issues. It is in these areas that Congress, with the only nationwide political machine, has what should be a decisive advantage over its splintered opposition.

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REVIVING OPPOSITION IN PAKISTAN

Pakistani President Ayub Khan faces mounting political problems. Although they present no immediate threat to his regime, he must handle them deftly lest they be exploited by his reviving opposition.

After seven-year retirement imposed by Ayub's military regime in 1960, some of the most prominent civilian politicians of the 1950s are returning to political activity and this is changing the cast of personalities with whom Ayub must cope. Some of these so-called EBDOnians--a term derived from the initials of the enabling order which automatically expired on 31 December 1966--are joining his Pakistan Muslim League, and to this Ayub will have to adjust. The more active ones, however, are returning to the opposition.

Mumtaz Daultana--a former provincial chief minister and possibly the most important of the EBDOnians--appears to be having some success in uniting the center and rightist opposition in West Pakistan. He may hope to unite all anti-Ayub factions on the basis of their opposition to the current indirect electoral system--one of the few issues on which they agree. However, Daultana has not yet been able to reach an agreement with the extreme leftist National Awami Party, nor has he yet devised a position on provincial autonomy acceptable both to West Pakistanis and to the Awami League, which advocates near independence for East Pakistan. If Daultana succeeds in uniting antiregime elements, Ayub

could face his greatest political challenge in several years.

Among Ayub's more immediate problems which are subject to opposition exploitation has been the high price of food. This has been an important cause of two major strikes--one of port workers in Karachi, the other a rail strike which temporarily paralyzed transportation in West Pakistan. Although the government moved quickly to force union leaders to agree to a settlement, recognized labor leaders lost control of union members to leftist agitators who may have been under Communist direction. The government found it necessary to make large-scale arrests, to fire on strikers, and to use troops to run the trains before the strikers began returning to work.

Another, more transitory problem has been a dispute between ultraconservative religious leaders and an Ayub-appointed committee as to the exact day on which this year's Ramadan fast ended. Ayub retaliated by "detaining" five of the Muslim leaders, and the arrests appear to have increased popular dissatisfaction.

The continued arrival of foreign aid grain is improving the food situation, and resentment over the Ramadan confusion will disappear fairly soon. However, other problems are bound to arise, any of which would help a revived opposition to whittle away at Ayub's still great political strength.

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EMPEROR OF ETHIOPIA TO VISIT UNITED STATES

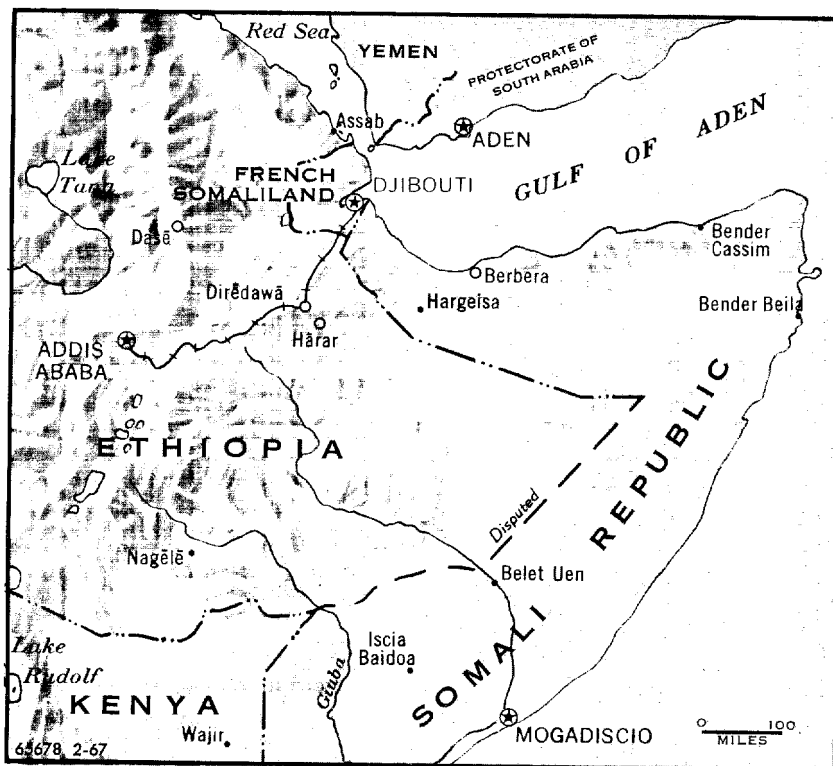
Emperor Haile Selassie arrives in Washington on 13 February for long-sought talks with President Johnson. He is deeply concerned with developments in the Horn of Africa and the Red Sea basin which he apparently sees as a Somali-Arab-Communist conspiracy and a threat to the Ethiopian empire.

The Emperor's foremost concern remains his archenemy, the Somali Republic, which has designs on the Somali-inhabited territories of Ethiopia and is supporting guerrilla activities there. He is worried not only about that country's Soviet-supplied military buildup but also about its

designs on French Somaliland, which is to decide in a 19 March referendum whether or not to stay with France.

Another concern is the Egyptian and Communist presence in Yemen and the threat this poses to near-by Aden when the British depart next year. Traditionally wary of Muslim encirclement, the Emperor's fears have been heightened by stepped-up Arab, Somali, and Communist aid to Eritrean and other dissidents within his empire.

The Emperor may sound out US attitudes regarding possible Ethiopian courses of actions after the referendum in



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French Somaliland. He has already made it clear that he could not countenance a loss of French control to other than Ethiopian hands. In the event of a "no" vote, he may attempt a pre-emptive military take-over.

Meanwhile, through bribery and propaganda support, he is aiding the French campaign to achieve a "yes" vote. The French are currently optimistic they will achieve this by a small majority, but they do not discount a surprise. French, Ethiopian, and Somali referendum maneuvers make any estimate hazardous.

Haile Selassie's main pitch to the US apparently will be for

additional arms for his army, navy, and air force, although he may be angling for even stronger US backing. Ethiopian officials have already presented a large shopping list of hardware valued at an estimated \$161 million.

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TALKS BEGIN BETWEEN UNION MINIERE AND CONGOLESE

Congolese President Mobutu and Union Miniere have both shown somewhat greater willingness to resolve their dispute, but many important issues remain to be ironed out.

Union Miniere, reportedly under considerable pressure from the Belgian Government and from other Belgian firms with interests in the Congo, gave its blessing late last week to a proposal for a new international

"association" to mine and market the Congo's copper under contract. Membership in the "association" apparently would be offered to several international mining firms, but Union Miniere, even though nominally excluded from participation, would probably continue to dominate the group through its control of European mining personnel in the Congo. A representative of a firm associated with Union Miniere presented the proposal to Mobutu during a meeting on 6 February.

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Mobutu had earlier turned down terms very similar to this proposal and had refused to consider a place in mining and marketing for either Union Miniere or its associates. Nonetheless, at the 6 February meeting he indicated a willingness to use the new proposal as a basis for negotiations.

Although the two sides are in direct communication for the

first time since early December, there probably will be many ups and downs in their talks. There are indications, for example that they take divergent views of the "association's" purpose. Mobutu sees the association as a stopgap until he can work out alternative arrangements, whereas the Union Miniere group says it will cooperate only if the Congolese agree to a long-term contract.

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ALGERIA HOLDS COMMUNAL ELECTIONS

The successful holding of Algerian communal elections on 5 February--the first balloting for local officials since independence five years ago--is the Boumediene regime's first achievement toward putting the country's administration on a firm foundation. The regime may now consider it possible to hold elections for departmental councils and ultimately for a national assembly.

The elections were conducted in an atmosphere of apparent calm. Despite the poor weather, the turnout reached as high as 90 percent in some rural areas and 55 percent in Algiers. The regime had made an intensive effort over the last three months to arouse interest in the elections, to explain their purpose, and to introduce candidates. The higher participation in rural areas was due to efforts of local gendarmes apparently ordered to make sure the people voted. Also, candi-

dates were better known personally.

The country's sole political party, the National Liberation Front, was assigned the task of preparing the electoral lists, basing selection of candidates on demonstrated ability as well as on party militancy. Some choice, however, was provided by listing two nominees for each seat.

These elections are the final step in the broad program of communal reform, embodied in a Communal Charter adopted by the Revolutionary Council early in January. The regime's aims are twofold: to stimulate and encourage participation in governmental affairs at the grass-roots level, and to shift the central government's massive administrative and financial burdens to the local level.

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WESTERN HEMISPHERE

Much of the political activity in the hemisphere last week was related to the forthcoming inter-American meetings in Buenos Aires.

The chief task of one of those assemblies--the 11th Meeting of Foreign Ministers--will be to choose a date, site, and agenda for the proposed inter-American summit conference. Most countries are now reconciled to having the meeting in mid-April at Punta del Este, Uruguay, but a consensus on details of an agenda will be harder to find. Chile, Colombia, and Mexico still insist that an agenda be spelled out before their presidents commit themselves to attend. The Colombian foreign minister has suggested a month's delay in the meeting, even if an agenda agreement is reached.

Attendance of several other presidents remains uncertain. Haiti's Duvalier may stay home for fear of not being allowed to return should he leave. Barrientos of Bolivia needs some face-saving agreement on his demand that Bolivia's aspirations for an outlet to the Pacific be discussed.

One of the matters that was slated for discussion at the second of the Buenos Aires meetings--the Third Special Inter-American Conference, convoked to revise the OAS Charter--has been dropped. Brazil's proposal to "institutionalize" the Inter-American Defense Board--an independent body with only advisory powers--by making it a formal OAS mechanism ran into such determined opposition from Mexico and Chile that Brazil backed off.

Deliberations of the hemisphere's diplomats in Buenos Aires next week could be interrupted by demonstrations or attempted disturbances.

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FRAUD CHARGED IN NICARAGUAN ELECTION

Preliminary returns give General Somoza a substantial lead in Nicaragua's presidential election on 5 February, but official results are being announced so slowly that the opposition is claiming fraud in the ballot count.

in front of the judges or even outside the polling station. In some cases no voting booth was provided. Furthermore, complaints of multiple voting were numerous.



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PRESIDENT SOMOZA

irregularities during the voting were widespread, mostly in rural areas. Opposition electoral judges in some instances were prevented from taking their places or were otherwise harassed. In several areas ballots were marked on the table

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SOVIET-CUBAN ECONOMIC NEGOTIATIONS CONCLUDED

The USSR and Cuba signed their 1967 trade agreement on 1 February. The negotiations were protracted, probably because of Soviet determination to hold down the level of aid.

Last year when Cuba's poor sugar crop reduced its deliveries to the USSR, Moscow had to increase its support to at least double the \$91 million it had already pro-

gramed to finance the chronic imbalance in its Cuban trade. This brought the total of Soviet economic credits to Cuba since 1960 to more than one billion dollars.

Significant financial assistance will continue this year in the form of the sugar subsidy. The USSR has agreed to pay six cents a pound for Cuban sugar--more than three times the current

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market price--for up to 4 million tons in 1967. Havana is unlikely to meet this target, but the good current crop may permit delivery to the USSR of at least 3 million tons--last year's export target. Sugar deliveries probably are to account for most of the 23-percent growth in trade which the new trade pact establishes as a goal for 1967.

The USSR remains Cuba's chief source of foreign support and accounts for half its \$1.5-billion foreign trade. China has cut back its trade with Cuba, and other Communist countries assist Cuba reluctantly. The Polish trade agreement this year, for instance, specifies only that trade will "equal" that for 1966.

Cuban-Soviet differences over the aims of the aid program were probably a factor in protracting

the negotiations, which began last October. For several years the USSR has provided large quantities of specially designed equipment and hundreds of technicians to improve Cuban agriculture, but Havana continues to seek more aid for industrial projects.

Any problems encountered during the trade talks had no effect on Soviet military deliveries. These have been increased in recent months in an effort to refurbish the Cuban armed forces, and replace worn out or destroyed equipment [REDACTED]

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[REDACTED] Recent arrivals include eight new naval ships--patrol craft and subchasers. [REDACTED]

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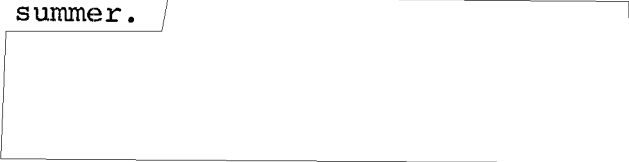
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DOMINICAN PRESIDENT MOVES TO SHORE UP POLITICAL POSITION

25X1 Dominican President Balaguer has been trying to shore up his political position and has demonstrated particular concern over the solidarity of his military and police support. He intends to restore the pay of military and police officers to the level prevailing before the government adopted austerity policies last summer.




Balaguer's authorization of a roundup of left-wing dissidents on 22 January was partially intended to show the military that he could move firmly to curb anti-government activities. Similarly, his speech on 4 February portraying plotting and subversion by the Communists may have been intended in part to reassure hard-line military elements that he is not blind to this danger.

Relations with opposition elements acceptable to Balaguer are also coming in for presidential attention. In an attempt to isolate and weaken the militant leadership of the left-of-center Dominican Revolutionary Party

(PRD), Balaguer has named PRD dissident Angel Miolan to be Minister without portfolio. He has also taken a relatively moderate and flexible stand in dealings with the left-of-center Revolutionary Social Christian Party, which has indicated its intentions to keep its opposition activities within bounds acceptable to Balaguer.

Balaguer has taken some steps to allay concern among moderates over the sometimes arbitrary actions of the government. He has publicly apologized to non-Communist dissidents who were caught in the roundup of left-wingers last month and now seems willing to accept some of the secondary-student demands that have led to a protracted school boycott.

Through his statements and actions Balaguer appears to be consciously attempting to create an impression that he is in full control of political developments and is not threatened by any serious unrest. His assiduous cultivation of potential political allies seems to indicate apprehension that challenges to his government may be developing.



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BRAZIL PROMOTING TRADE WITH EASTERN EUROPE AND USSR

The Brazilian trade mission that has been touring Eastern Europe for several weeks has concluded its talks there and moved on to Western Europe and the US. The mission, headed by Minister of Industry and Commerce Martins, is part of a major Brazilian effort to expand foreign trade.

Brazil has been sending about six percent of its total exports to the USSR and Eastern Europe in recent years, but the volume has been limited by Brazil's restricted capacity to import bloc products. Exports averaged about \$100 million annually during 1964 and 1965, and rose to nearly \$70 million in the first half of 1966.

In Moscow the Brazilians concluded the first deal under last year's \$100-million credit agreement with the Soviets. A \$5-million credit was extended to finance the construction of a petrochemical plant in the state of Bahia.

Brazil is in the market for transport aircraft and, in response to an earlier Soviet invitation, is sending representatives to Moscow to study the aircraft industry. Brazilian airlines' needs and the recent trade and aid agreement have increased the prospects for the USSR's first sale of aircraft in Latin America.

Three days of talks in Warsaw ended with the signing of a trade protocol that should clear the way for detailed negotiations. There was further discussion of an earlier proposal whereby Brazil would purchase \$30-60 million worth of Polish merchant ships and pay for them principally in coffee. If concluded, it would be the largest Polish shipbuilding deal with any non-Communist country.

Exploratory trade talks were also held in Czechoslovakia. The two countries agreed to put their trade on a hard currency basis immediately. Both sides indicated an interest in possible Czech participation in major Brazilian development projects, including the large US-financed and -built Volta Redonda Steel complex and the Ilha Solteira power complex.

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HEMISPHERE FOREIGN MINISTERS MEET NEXT WEEK

Hard bargaining is likely to be the order of the day when foreign ministers of the Western Hemisphere meet in Buenos Aires on 15 February. Differences of opinion are already apparent on every item to be discussed at these meetings, the Third Special Inter-American Conference and the 11th Meeting of Foreign Ministers.

One major purpose of the meeting is to make final decisions on amendments to the Charter of the Organization of American States (OAS). These amendments were drafted by a special OAS committee in Panama almost a year ago, but the follow-up meeting scheduled for August was postponed because of the military coup in Argentina. The most controversial of these amendments is one spelling out US undertakings on economic aid, which the US opposes and other members are eager to adopt.

Differences of opinion are also likely over regional economic integration. According to a press report, the Chilean foreign minister, who is one of the strongest advocates of integration, may not attend because of political problems at

home. The US ambassador in Santiago, however, believes that Valdes will go. If he stays away, strong leadership for any meaningful decisions on economic cooperation may be lacking.

Planning for the inter-American summit meeting may also pose problems. Although most members agree that the meeting should be held at Punta del Este, Uruguay, from 12 to 14 April, some countries find these dates inconvenient because of government changes and congressional sessions. Furthermore, there is some feeling that it is premature to set a time and place before an agenda has been decided on.

Observers have been invited from Canada and the former British colonies of Jamaica, Trinidad and Tobago, Guyana, and Barbados. Their presence may spark at least informal discussion of the advisability of enlarging the organization, a prospect that some present members view with distaste. By the time the meeting convenes, Trinidad and Tobago may have applied for OAS membership. Barbados, too, has indicated its desire to join.

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